

U.S. Army Military District of Washington



Activity Based Costing and Management Plan

**U.S. Army Military District of Washington's (MDW)
Plan for Implementation of
Cost Management/Activity Based Costing**

1. PURPOSE.

The purpose of this plan is to outline how the MDW will implement Activity Based Costing (ABC) as its cost management (CM) methodology.

2. MDW's CM/ABC GOAL.

The MDW's Strategic Plan includes a goal to move to a business based environment which delivers quality, competitively priced, and customer-focused base operations (BASOPS) services. The MDW will use ABC where appropriate, to facilitate meeting this goal.

3. MDW's CM/ABC OBJECTIVES.

a. Create a CM culture across MDW's installation base support functions and services.

b. Fully integrate CM into the management processes of each base support business area to provide both performance and cost measurement information.

c. Implement a CM methodology, and simultaneously assess if ABC is the appropriate cost measurement tool for MDW installations.

d. Permit true cost measurement of activities and businesses, and a vehicle to examine processes and cost of individual products and services.

e. Enable senior leaders to make informed resourcing decisions.

f. Improve decision-makers ability to render resourcing decisions and help control and allocate costs.

g. Improve budget development and allocation of dollar resources.

4. MDW's CM/ABC Implementation Goal.

Develop and employ ABC as the CM methodology to manage a significant majority of the base support resources consumed to provide base support services.

5. Implementation Objectives for CM/ABC.

a. To establish a general framework for MDW installations to develop further detailed plans for implementing ABC, or an alternative CM methodology.

b. To assess if ABC is the appropriate cost measurement tool for employing CM within the MDW base support structure. MDW will develop a prototype network of models to evaluate their utility for implementing CM models for the following base support business functional areas.

- Engineering
- Logistics
- Morale, Welfare, and Recreation
- Information Technology

c. Link cost management and ABC implementation to quality programs, Competitive Sourcing initiatives, and business process reviews, and other reengineering efforts.

d. To achieve the command's CM/ABC goals and objectives contained in this implementation plan.

6. Concept of Operation.

a. MDW's intent is to develop and implement a CM approach to identify costs at the lowest activity level. During prototype development, MDW will decide what models will work effectively and if the MDW will require its installations to use the Oros ABCPlus software as a CM tool.

b. Initially, MDW will examine logistics, MWR, and engineering as functional models to provide on site learning, and to assist in understanding full CM implementation requirements.

c. Broad milestones for implementing ABC are noted below.

(1) Obtain, develop, and or refine prototype ABC models to facilitate and deploy operational components at its pilot installations by December 2001. One installation will facilitate prototype development, but will also serve as a pilot installation.

(2) ABC deployment will extend beyond pilot sites, and MDW will update all existing ABC models by December 2002.

(3) MDW projects to complete ABC deployment by December 2004. This includes development and evaluation of Information Technology models across MDW installations.

(4) Model prototyping and deployment to pilot installations will occur according to the following implementation schedule.

Deployment Schedule

Priority 1	December 2000	Fort Meade	Prototype Development
Priority 2	December 2001	Fort A P. Hill	
Priority 3	December 2002	Fort Myer and Fort McNair	
Priority 4	December 2003	Fort Belvoir	
Priority 5	December 2004	Fort Hamilton	
Priority 6	December 2004	- Complete all CM/ABC fielding requirements	

d. MDW will initially develop and deploy three of the models dictated in the Department of Army's Implementation Plan. The models projected for prototype development are logistics, engineering, and MWR. Information Technology will be assessed later in the implementation process. The initial prototyping of models will occur simultaneously at the test installation. The number of models and required seats (operators) are reflected in the chart below.

Number of models and seats

	2000	2001		2004
	Models/Seat s	Models/Seat s	Models/Seat s	Models/Seat s
Engineering	1 / 2	1 / 2	1 / 2	1 / 2
Logistics	1 / 2	1 / 2	1 / 2	1 / 2
Morale, Welfare, and Recreation	1 / 2	1 / 2	1 / 2	1 / 2
Information Technology	-	-	-	-

e. The following schedule outlines MDW's ABC training requirements and the estimated number of spaces required for initial and long-term ABC training.

MDW's Training Requirements

	2000	2001	2002	2003	2004
Cost and Performance Team Cost Management and ABC/M	15	10	15	10	10
Enterprise Building for Cost Management	10	5	5	5	5
Executive Level CM and ABC/M Orientation	5	4	4	3	4

7. MDW's CM/ABC Data Information Quality Assurance Measures, Plans, and Responsibilities.

a. MDW will employ a Project Manager to provide oversight of its installations efforts to implement ABC.

b. Installations will perform periodic reviews of data collected and input to models to reconcile against legacy databases as a quality assurance measure.

c. The MDW will ingrate ABC into its Organization Inspection Program and Annual Master Audit Plan.

8. Intent on How Functional Manager will Use CM/ABC Information.

a. Link Cost Management/ABC implementation to Army Quality Programs, e.g, A-76, and Business Process Reengineering (BPR) efforts.

b. Where CA studies have been performed, use the information collected and recorded for A-76 studies to develop the structure and information for ABC utility.

c. Use ABC as a management decision tool to establish, benchmark, and sustain continuous process improvement in the designated functional areas and extend to other functional areas.

d. Refocus the installation budget based management perspective to a CM/ABC based management perspective.

9. Roles and Responsibilities.

a. Headquarters MDW.

(1) Ensure that appropriate personnel receive formal cost management or ABC training. Include courses for business area leaders, operational managers, and action officers.

(2) Monitors progress of ABC implementation at the installations and provide required reports to HQDA.

(3) Outline quality assurance measures associated with ABC implementation.

b. MDW Installations.

(1) In coordination with USACEAC, fully implement Cost Management/ABC throughout the organization.

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(2) Prototype a CM/ABC system and assess whether to use ABC or an alternative cost measurement technique.

(3) Develop detailed Cost Management/ABC implementation plans.

(4) Establish cost management goals.

c. The U.S. Army Cost and Economic Analysis Center (USACEAC).

(1) As the Army's proponent for CM, USACEAC will provide Cost Management/ABC implementation policy and guidance, and coordinate training, software provision, after action reviews, and oversight of ABC implementation.

(2) USACEAC provides the requisite resources for acquisition, technical support, and sustainment costs for ABC technologies, Inc. ABCPlus software.

ANRM (37)

4 August 2000

MEMORANDUM FOR Assistant Chief of Staff for Installation
Management, 600 Army Pentagon, Washington, DC
20310-0600

SUBJECT: United States Army Military District of Washington
(MDW) Plan for Implementation of Cost Management/Activity Based
Cost Management

1. The MDW's Plan for implementing Activity Based Cost Management is enclosed.
2. A point of Contact for additional information or questions is Mr. Steve Grames or COL Ron McIlwain at (202) 685-3217.

FOR THE COMMANDER:

Encl

//Signed//
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COL, GS
Deputy Chief of Staff for
Resource Management